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RUEHAR/AMEMBASSY ACCRA 3241
RUEHDS/AMEMBASSY ADDIS ABABA 3352
RUEHRL/AMEMBASSY BERLIN 1775
RUEHBY/AMEMBASSY CANBERRA 2609
RUEHDK/AMEMBASSY DAKAR 2979
RUEHKM/AMEMBASSY KAMPALA 0040
RUEHNR/AMEMBASSY NAIROBI 0042
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C O N F I D E N T I A L SECTION 01 OF 02 HARARE 000009

SIPDIS

FROM THE AMBASSADOR FOR ASSISTANT SECRETARY CARSON AND NSC
DIRECTOR GAVIN

E.O. 12958: DECL: 01/07/2020

TAGS: [PREL](#) [PGOV](#) [EFIN](#) [ETTC](#) [ZI](#)

SUBJECT: RECOMMENDATION ON RESPONDING TO ZIMBABWE FINANCE
MINISTER BY DE-LISTING BANKS

REF: 09 HARARE 987

Classified By: Ambassador Charles A. Ray for reasons 1.4 (b) & (d).

¶1. (C) SUMMARY: Finance Minister Tendai Biti sent me a letter requesting that three banks be removed from Treasury's sanctions list. I recommend that we honor Biti's request. The information available to me indicates that these three banks no longer have any role in supporting Mugabe. This would cost us little while working to the advantage of reformers who stick their necks out to bring democracy back to Zimbabwe, and it would serve to undercut and weaken ZANU-PF rhetoric regarding sanctions. If we believe that sanctions give us leverage, now is the time to use it. END SUMMARY.

¶2. (SBU) On January 4 I received a letter from Biti requesting changes in the list of specially designated nationals (SDNs) that are targets of USG financial restrictions. The letter, dated December 29, names three state-owned banks as candidates for de-listing: the Infrastructure Development Bank of Zimbabwe (IDBZ), Agribank, and ZB Bank and Building Society (ZB).

¶3. (SBU) Biti argues that de-listing these banks will support his economic reforms. As SDNs these banks cannot conduct transactions with U.S. banks and are therefore "unable to undertake normal treasury operations. This has resulted in the slow pace of some Government projects and programmes." The letter also notes that "these banking institutions are owned by the Government of Zimbabwe and are apolitical as reflected by their shareholding." The GOZ owns 85 percent of IDBZ, 100 percent of Agribank, and 26 percent of ZB.

¶4. (SBU) IDBZ has been in business since 2005, when the GOZ established it for the purpose of financing construction of roads, dams, utilities, and other infrastructure. The bank has been largely inactive due to a lack of funding -- the hyperinflation wiped out its initial capitalization of 1 trillion Zimbabwe dollars. All members of the IDBZ board are GOZ appointees. The current chief executive officer is Charles Chikaura, a former deputy governor of the Reserve Bank of Zimbabwe (RBZ) with no known political affiliation. Chikaura left the RBZ when Gideon Gono became governor in ¶2003.

¶5. (SBU) Agribank's main line of business is lending to small-scale farmers, including those cultivating communal

land. In many rural areas, Agribank is the only source of financial services. Shareholding in Agribank is split evenly between the Ministries of Finance and Agriculture. Agribank is led by a 10-member board of directors consisting of three executive directors and seven non-executive directors. The executive directors are either Ministry of Finance officials or appointed by them. Two of the seven non-executive directors are civil servants, one from each of the two ministries. One non-executive director, Wilson Nyabonda, is a member of the Zimbabwe Commercial Farmers Union (ZCFU). Some members of the ZCFU have benefited from Mugabe's land reform program. Another non-executive director, Sij Biyam, has publicly supported politicians who oppose Mugabe. The other three non-executive directors are independent professionals with no apparent political affiliations.

¶6. (C) ZB's largest shareholder is the National Social Security Authority (NSSA), which holds 42 percent of the bank's equity. The Ministry of Finance controls 25 percent of ZB shares, Old Mutual Life Assurance owns a 5 percent stake, and the remaining shares are held by ZB employees and the public. NSSA is a GOZ-sponsored pension fund supported by contributions from the wages of private-sector employees. NSSA's board chairman is Albert Nau, a politically unaffiliated business professional who previously chaired the ZB board. The current chairman of ZB's board is Bothwell Nyajeka, an insurance executive known to be politically independent. Nyajeka replaced Richard Hove, a ZANU-PF politburo member who died last year. But even when Hove chaired the ZB board, there was no evidence of political interference in the bank's operations. Post's LES economic

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specialist previously held management positions at ZB and reports that the bank's credit committee, of which he was a member, has always made decisions exclusively based on commercial considerations.

¶7. (C) As noted reftel, I presume that OFAC has classified information to support designation of the three banks Biti wants de-listed. I have received no response to my request for such information. All of the information available to me locally indicates that these banks are professionally managed and commercially driven entities. Agribank and ZB have provided candid responses to all of our requests for information, including closely held lists of their most important banking clients.

¶8. (C) Biti's letter is an echo of my most recent conversation with him (reftel). The motivation behind his request is not to throw ZANU-PF a bone, but rather to see USG policies adjust to the new circumstances in Zimbabwe. Biti would like to see these three banks in a position to contribute to Zimbabwe's economic recovery. Like all commercial banks in Zimbabwe, Agribank and ZB sustained severe financial losses during the hyperinflation. But now, as the banking system recovers, these two banks' status as SDNs impedes recapitalization. Biti would like to sell a portion of the GOZ's stake in both banks, but this is not practical while they are SDNs.

¶9. (C) I believe it is in our interest to honor Biti's request. ZANU-PF no longer has the means to abuse these three banks. The only risk in removing them from the SDN list is that Mugabe may get the incorrect impression that we are loosening the screws on him and his cronies. But that will be their problem, not ours, and it would serve to weaken the impact of ZANU-PF's continuing rhetoric regarding sanctions and their economic impact.

¶10. (C) There is, I sincerely believe, far greater risk for us in ignoring Biti's request. Biti, his MDC colleagues, and other brave Zimbabweans are in a high-stakes, long-term struggle to restore democracy to their country. We should not miss opportunities to help them "chip away at the fascist

dictatorship," as Biti likes to put it. De-listing these three banks will, at no cost to us, let Biti push his reform agenda a few inches forward and further bolster his standing as the most effective minister in the transitional government. Ignoring his request, by contrast, will leave us with the untenable status quo of our current sanctions policy, which has so far had no effect on Mugabe's actions. If we believe sanctions give us leverage, now is the time to use it to Biti's advantage, and perhaps be an impetus at some point for further moves in a positive direction.

RAY